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United States v. Carl Kruger, et al. Prepared Remarks for U.S. Attorney Preet Bharara March 10, 2011

Good morning. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Once again, I am here to report, sadly, that the crisis of corruption continues in Albany. Today, we unseal a 53-page criminal Complaint that exposes a sprawling web of corruption. Caught in that web were not one, but two, sitting New York state legislators. In addition, there is a prominent New York lobbyist, CEOs of two hospitals, and a real estate developer, among others. Specifically, those charged with federal corruption crimes today are the following eight defendants:

- Carl Kruger, for 17 years a New York State Senator, and the former chairman of the Senate Finance Committee;**
- William Boyland, Jr., for eight years a New York State Assemblyman;**
- Richard Lipsky, a prominent lobbyist based in Manhattan and registered in Albany;**
- David Rosen, the CEO of MediSys Health Network, which operates hospitals in Queens and Brooklyn;**
- Robert Aquino, the former CEO of Parkway Hospital in Queens;**
- Solomon Kalish, the owner of a health care management and consulting firm;**
- Aaron Malinsky, the principal of a real estate development firm called P/A Associates; and**

- **Michael Turano, a doctor who practices in Manhattan, lives in Brooklyn, and whose family had an intimate relationship with Senator Kruger.**

At its core, the Complaint describes a broad-based bribery racket reflecting an unholy alliance of politicians, lobbyists, and businessmen. Specifically, the Complaint alleges that over a period of years, Senator Kruger – who represented himself to be a full-time legislator – was in fact working overtime for business interests that bribed him to the tune of almost \$1 million, funneled to Kruger by the likes of Lipsky, Kalish, and Malinsky.

According to the Complaint, moreover, Rosen and Aquino, the two hospital executives, conspired to bribe Kruger too, while Rosen also conspired to make corrupt payments to two other elected New York legislators – Assemblyman Boyland and Anthony Seminerio, who pled guilty to a corruption crime in this district and who recently died in prison while his appeal was pending.

Now, before getting to the details of the charges, let me introduce our law enforcement team. I am joined here today by our partner in this extraordinary corruption case and so many others: the FBI, represented by Assistant Director in Charge Jan Fedarcy, along with Assistant Special Agent in Charge, Peter Grupe and Supervisory Special Agent Robert Hennigan. I also want to congratulate the dedicated FBI investigators who worked so hard on this case: Special Agents Christopher Kelly and Julie Brown, and Financial Analyst Vin Manglavil. I also want to express my appreciation to the finest career prosecutors anywhere who have worked so hard on this matter and have conducted a meticulous and exhaustive investigation: Senior Trial Counsel Glen McGorty, Assistant United States Attorneys Bill Harrington and Michael Bosworth, and Kan Nawady, as well as Dan Stein, the chief of our Public Corruption Unit.

Now let me spend a few minutes describing the allegations in today's three-count Complaint. First, let me review the allegations against Senator Kruger.

According to the Complaint, Senator Kruger received at least \$1 million in a stream of corrupt payments from individuals and entities including Lipsky, Malinsky, and Kalish in exchange for taking favorable official actions as the opportunities arose. So, what did Senator Kruger do exactly to earn this money? As described in the Complaint, he took a series of official actions.

What did he allegedly do for Lipsky and his clients? As alleged in the Complaint, for example, Kruger took steps to ensure that millions of dollars in state funds were allocated to certain development projects that were being undertaken by a key client of Lipsky's. Kruger co-sponsored the Beer Bill for Lipsky's beverage distributing clients and he did so at a time when Lipsky was making regular

payments to Olympian, Kruger's shell company. Kruger also allegedly introduced legislation to help Lipsky's clients; directed state money to Lipsky's clients; lobbied other legislators to support causes that benefitted Lipsky's clients; and even once wrote to a federal judge to oppose a lawsuit that threatened to hurt Lipsky's clients. By the way, earlier this week, FBI agents during a search found in Lipsky's home \$106,000 in cash, \$4,000 of which was in crisp large denomination bills in his suit pocket.

What did allegedly he do for Malinsky? To help Malinsky develop a certain department store as part of a larger retail center in Brooklyn, Kruger allegedly intervened on Malinsky's behalf with the real estate company developing the larger commercial retail center. Senator Kruger also appeared at a New York City Economic Development Corporation hearing about the development of the retail center and took a stand against the inclusion of stores unlike the department store Malinsky wanted to develop and in favor of the types of stores like the one Malinsky wanted to develop.

What did he allegedly do for Kalish? In exchange for the funds funneled through Kalish, Senator Kruger allegedly lobbied state officials on behalf of hospitals run by David Rosen and Robert Aquino in connection with acquisitions and other business.

The Complaint also alleges additional corrupt conduct by hospital executive David Rosen. As you see from the chart to my left, the corrupt payments that Rosen allegedly tried to steer to Senator Kruger were part of Rosen's even broader scheme of bribing elected officials. For example, as set forth in the complaint, Rosen caused MediSys to enter a sham consulting contract with Assemblyman Seminerio in exchange for Seminerio's official assistance. And Rosen allegedly caused MediSys to make corrupt payments to Assemblyman Boyland, as well. We allege that, after Boyland was elected to the New York State Assembly in 2003, MediSys gave him what amounted to a no-show consulting job. Assemblyman Boyland was paid almost \$3,000 a month from December 2003 to November 2008 – for a total of over \$177,000. In exchange for that cash, Boyland took official action to benefit MediSys including asking the Speaker of the Assembly to allocate millions of dollars to hospitals in the MediSys network, and lobbying New York State officials on behalf of MediSys.

Now let me remind everyone that the defendants charged today are of course presumed innocent unless and until they are proven guilty. Their cases will now play out in Manhattan federal court. To conclude, let me make a broader point.

Every single time we arrest a state Senator or Assemblyman, it should be a jarring wake-up call. Instead, it seems that no matter how many times the alarm goes off, Albany just hits the snooze button. When prosecutors charge politicians, it should not feel like a scene from Groundhog Day. And yet it does. Sitting or former state legislators from Albany charged in recent times by this Office alone include:

- Senator Vincent Leibell**
- Senator Hiram Monserrate**
- Senator Efrain Gonzalez**
- Assemblyman Brian McLaughlin**
- Assemblyman Anthony Seminerio**

And now, of course, Senator Kruger and Assemblyman Boyland add their names to that unfortunate list.

No office in the state has pursued public corruption more vigorously or more successfully than this Office, and still we are up to our eyeballs in corruption work. The last time we announced federal charges against a state Senator was just three months ago. I said then that we would continue to bring appropriate cases until every politician understands that elective office is a privilege, not a right; that elected officials are there to serve the public, not themselves; and that those who violate the public trust do so at the risk of ending their careers behind bars. But here we go again. Apparently, what we've got here is a failure to communicate.

We keep sending the message, but it seems to keep falling on deaf ears. Albany should see this is as a moment of truth and a moment for change. Once and for all, it can correct its culture and clean up its act. But if not, we will continue to launch investigations and obtain arrest warrants – as many as it takes – to make sure that the people's house serves the people, not the politicians and lobbyists who line their pockets.

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